

Before The
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION

In the Matter of)

Establishment of a Funding)
Mechanism for Interstate Operator)
Assistance for the Deaf)

RM 8585

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REPLY OF SOUTHWESTERN BELL TELEPHONE COMPANY

Southwestern Bell Telephone Company (SWBT) hereby replies to the Comments filed in response to SWBT's Petition to establish a funding mechanism to recover the costs of providing interstate Operator Assistance for the Deaf (OAD).

Two other local exchange carriers, GTE and NYNEX, filed in support of SWBT's Petition. Obviously, these companies are faced with issues similar to those expressed by SWBT regarding the cost, revenue, and service obligations for OAD. GTE and NYNEX, like SWBT, both stated that AT&T's service charges for OAD far exceed revenue earned. Thus, "carriers who subscribe to OAD from AT&T subsidize the service without a means of recovering their costs."¹ GTE cited the "persuasive case" of SWBT as reason for supporting SWBT and, thus, deviating from GTE's general opposition to federal funding programs.² NECA stated its willingness to administer the OAD fund proposed by SWBT and suggested that OAD be funded out of the general TRS (Telephone Relay Service) fund.

¹ NYNEX at 2.

² GTE at 3.

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NYNEX also supported use of the TRS fund for OAD. This issue should be addressed in a rulemaking.

AT&T and MCI oppose shared funding for OAD. AT&T claims that SWBT and other Local Exchange Carriers (LECs) have no legal obligation to provide OAD, because the service is not required by ADA.³ AT&T is mistaken. Admittedly, OAD is not required by Title IV of ADA. Section 214 of the Communications Act, however, requires SWBT to obtain Commission permission before withdrawing OAD service. SWBT would likely also need permission from the Commissions of the five states in which SWBT operates--five additional reasons why SWBT cannot discontinue OAD. Moreover, SWBT does not seek to discontinue OAD. SWBT believes that OAD is a valuable service which should be continued, but not in the present environment in which a single service provider charges rates far in excess of revenues.

AT&T also claims that a mechanism modeled on TRS funding is not appropriate for OAD, because "the traffic volumes and costs of that offering [OAD] are far more modest than those for TRS."⁴ No one disputes this. What is in dispute, however, is cost recovery responsibility for OAD services. AT&T suggests that carriers choosing "to provide OAD should bear the costs of that offering."⁵ Since AT&T is the only provider of OAD service and can set whatever price it wants, it is little wonder that AT&T does not

³ AT&T at 1.

⁴ Id. at 1-2.

⁵ Id. at 2.

favor a shared funding mechanism. The funding question, however, is better answered in a rulemaking.

MCI claims that SWBT should apply "creative thinking" to OAD costs.⁶ It is hard to be creative when there is only one vendor, and one price, for a service, especially when the price greatly exceeds revenues. Even if there were an alternative vendor, the disparity between the revenue earned by SWBT for OAD and the cost assessed by AT&T is so large that SWBT almost surely would not break even, especially considering AT&T's repeated assertions that its OAD costs are accurately stated. Additionally, because AT&T is a provider of OAD for itself and many other common carriers, economies of scale should make AT&T the lowest-cost provider.


The differences in opinion among service providers, combined with the obvious public interest in continuing this needed service, indicate that the Commission should initiate a rulemaking to determine service requirements and an OAD funding mechanism. SWBT does not seek to discontinue OAD. On the contrary, SWBT recognized the need for OAD in its Petition. SWBT only seeks reasonable cost recovery for its service obligations. SWBT therefore renews its request that the Commission initiate a rulemaking.

⁶ MCI at 3.

Respectfully submitted,

SOUTHWESTERN BELL TELEPHONE COMPANY

By

A handwritten signature in dark ink, appearing to read "J. Paul Walters, Jr.", written over a horizontal line.

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March 31, 1995

CERTIFICATE OF SERVICE

I, Martha Marshalek, hereby certify that the foregoing Reply of Southwestern Bell Telephone Company, RM-8585, have been served this 31st day of March, 1995 to the Parties of Record.

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March 31, 1995

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